ORIGINAL OPEN MEETING AGENDA ITEM

0000160781

RECEIVED

SOUTHWEST GAS CORPORATION

April 30, 2015

Docket Control Office
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2996

Re: Docket No. G-01551A-10-0458; Decision No. 72723

Southwest Gas Corporation (Southwest Gas) hereby submits to the Arizona Corporation Commission (Commission) an original and thirteen (13) copies of its Application for Approval of Energy Efficiency Enabling Provision Rate Adjustment. This Application requests approval to adjust the previously approved rate related to Southwest Gas' revenue decoupling mechanism, the Energy Efficiency Enabling Provision, to reflect 2014 activity.

In addition, pursuant to ordering paragraph #7 of the Commission's Opinion and Order in the above referenced docket, Exhibit 1 of this Application contains Southwest Gas' annual Revenue Decoupling Report covering the period from January 1, 2014 through December 31, 2014.

If you have any questions, please contact me at 602-395-4058.

Respectfully,

Matthew Derr
Regulatory Manager/Arizona

Cc: Jodi Jerich, ACC
Steve Olea, ACC
Bob Gray, ACC
Brian Bozzo, ACC
David Tenney, RUCO

Arizona Corporation Commission
DOCKETED
APR 30 2015

DOCKETED BY	RAU

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH – Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

In the Matter of the Application of Southwest Gas Corporation for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of Southwest Gas Corporation Devoted to its Arizona Operations; Approval of Deferred Accounting Orders; and for Approval of an Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan.	Docket No.: G-01551A-10-0458

APPLICATION FOR APPROVAL OF ENERGY EFFICIENCY ENABLING PROVISION RATE ADJUSTMENT

Introduction

1. Southwest Gas Corporation ("Southwest Gas" or "Company") hereby submits its application to the Arizona Corporation Commission ("Commission") respectfully requesting approval to adjust the previously approved rate related to the Company's revenue decoupling mechanism, the Energy Efficiency Enabling Provision ("EEP"), to reflect 2014 activity.

2. Southwest Gas is a corporation in good standing under the laws of the state of Arizona, and is duly organized, validly existing, and qualified to transact intrastate business.

3. Southwest Gas' corporate offices are located at 5241 Spring Mountain Road, Las Vegas, Nevada 89193-8510. Communications regarding this filing should be addressed to:

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4. Southwest Gas is a public utility subject to the jurisdiction of the Commission pursuant to Article XV of the Arizona Constitution and the applicable chapters of Title 40 of the Arizona Revised Statutes ("A.R.S."). Southwest Gas currently serves approximately 1.9 million customers in the states of Arizona, California, and Nevada. Approximately 54 percent of the Company's customers are located in the state of Arizona, including portions of Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Pima, Pinal, and Yuma counties. For operational purposes, Southwest Gas' Central Arizona division is headquartered in Phoenix and its Southern Arizona division is headquartered in Tucson.

Background

5. The Commission authorized Southwest Gas to implement full revenue decoupling as part of its 2010 general rate case. The decoupling mechanism, which is referred to by Southwest Gas as the EEP, has two components: 1) a monthly weather component that provides "real-time" bill adjustments when actual weather during the winter months differs from the average weather used to calculate rates; and 2) a non-weather component that adjusts rates on an annual basis to reflect any differences between the Company's authorized revenues per customer and its actual revenues per customer, thereby protecting customers and ensuring that the Company recovers

only its Commission-authorized revenue per customer – no more, no less. It is the second component of the EEP that is the subject of this filing.

6. As part of the approval of the EEP, Southwest Gas agreed to file a report with the Commission in April of each year to provide various details on the EEP's performance.[1] The Company's Revenue Decoupling Report ("Report"), covering the period from January 1, 2014 through December 31, 2014, is attached hereto as Exhibit 1.

7. Upon its review of the Company's last filed report in 2014 (covering the period from January 1, 2013 through December 31, 2013), the Commission concluded "the revenue decoupling mechanism has accomplished its objectives, including both enhanced revenue stability for the Company and bill stabilization for consumers, as well as removal of disincentives to energy efficiency,"[2] and the Commission unanimously approved the Company's 2014 application. As detailed in the accompanying Report, the mechanism continues to perform as intended, and the Company's Arizona customers continue to recognize many EEP-related benefits, including, but not limited to, bill stability and a mechanism that financially protects both the customers and the Company by ensuring that the Company only retains the margin per customer authorized by the Commission.

Request to Adjust EEP Rate

8. Southwest Gas hereby requests approval to adjust its EEP rate based upon its EEP Balancing Account balance at December 31, 2014, which balance is the aggregate of the EEP Balancing Account balance at December 31, 2013 and the results for the period January 1, 2014 through December 31, 2014.

9. In 2014, the Company collected more than its authorized revenues, resulting in accruals during 2014 of $11,999,805. These accruals combined with an EEP Balancing Account credit balance at December 31, 2013, results in the Company

[1] Settlement Agreement at § 3.23.
[2] Decision No. 74862 at pp. 7-9.

requesting to increase the existing credit rate of $(0.02626) to $(0.05058) per therm. The Company's surcredit calculations are attached hereto as Exhibit 2.

10. The Company respectfully requests that the Commission approve the updated EEP rate at its earliest convenience, such that the credit can be implemented by September 1, 2015, or as soon as otherwise practicable.

11. Although not at issue in the instant Application (because of the surcredit to customers), Southwest Gas agreed to submit an annual earnings test as part of the annual review.[3] As illustrated in the results of the Company's 2014 earnings test, notwithstanding the Company's recovery of its authorized level of revenue per customer through the EEP, it is still not earning its Commission authorized return (primarily due to the continuing upward pressure on the costs of providing safe and reliable natural gas service to customers). A copy of the earnings test is attached hereto as Exhibit 3.

Conclusion

12. Based upon the foregoing, Southwest Gas respectfully requests that the Commission adjust the EEP rate as set forth herein, with an effective date of September 1, 2015, or as soon as otherwise practicable.

Respectfully submitted this 30th day of April 2015.

SOUTHWEST GAS CORPORATION

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[3] Settlement Agreement at §§ 3.25-3.27.

EXHIBIT 1

SOUTHWEST GAS CORPORATION

Revenue Decoupling Report

Reporting Period:

January 1, 2014 – December 31, 2014

I. INTRODUCTION

Southwest Gas Corporation (Southwest Gas or Company) hereby submits to the Arizona Corporation Commission (Commission) its annual Revenue Decoupling Report (Report). Pursuant to the Settlement Agreement in Southwest Gas' 2010 General Rate Case, which was approved by the Commission in Decision No. 72723 (Decision), the Company agreed to report annually on the effects of its revenue decoupling mechanism, the Energy Efficiency Enabling Provision (EEP).

Southwest Gas' Report covers the period from January 1 through December 31, 2014, and demonstrates that the EEP continues to perform as designed and benefitted customers by stabilizing their monthly bills and ensuring the Company only recovered its authorized revenue. The EEP continues to perform precisely as the Settlement Parties[1] intended during 2014. As the Commission noted in its unanimous Decision No. 74862 issued in December 2014, "the revenue decoupling mechanism has accomplished its objectives, including both enhanced revenue stability for the Company and bill stabilization for consumers, as well as removal of disincentives to energy efficiency".[2] Southwest Gas respectfully submits that the performance of the EEP during this reporting is consistent with prior reporting periods and nothing during this reporting period should cause the Commission to reach a different conclusion this year.

In the short term, Arizona customers continue to recognize many beneifts of the EEP, including but not limited to bill stability and a mechanism that financially protects both the customers and the Company by ensuring the Company only retains the margin per customer authorized by the Commission. Longer term, customers will also benefit through lower debt costs in the Company's next rate case.

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[1] In addition to the Company, "Settlement Parties" includes the Arizona Corporation Commission Utilities Division Staff ("Staff"), the Southwest Energy Efficiency Project ("SWEEP"), the Arizona Investment Council ("AIC"), the Natural Resources Defense Council ("NRDC"), and Cynthia Zwick.
[2] Decision No. 74862 at pp. 7-9.

II. DECOUPLING OVERVIEW

Decoupling (also commonly referred to as "revenue decoupling", "full revenue decoupling", and "revenue per-customer decoupling"), at its highest level, is a rate design methodology that separates a utility's fixed cost recovery from its sales.[3] Decoupled utilities collect revenues according to a predetermined revenue requirement or revenue per customer established by the governing regulatory body, and utilize an automatic rate adjustment mechanism to periodically reflect the difference between the predetermined revenues and actual revenues.[4] Therefore, unlike more traditional ratemaking, which links a utility's fixed cost recovery to their sales volumes, decoupling allows utilities to recover their Commission-approved fixed costs irrespective of the volumes sold.[5] The prevalence of decoupled and other non-volumetric rate designs continues to increase in the United States. As noted in **Appendix A**, as of February 2015 gas decoupling is found in 23 states and 54 utilities.[6] There are also multiple states with other similar types of mechanisms in place that remove the connection between fixed cost recovery and sales.

Decoupling also differs from other rate adjustment mechanisms that are sometimes categorized as "partial decoupling", such as Lost Fixed Cost Recovery (LFCR) mechanisms (also referred to as "net lost revenue recovery", "lost revenue adjustments", and "conservation or load management adjustment clauses"). LFCR mechanisms adjust rates for revenue changes (i.e., losses) that result from conservation and energy efficiency programs and only result in upward adjustments to rates. Conversely, full revenue decoupling adjusts rates for any difference, upward or downward, between authorized and actual revenues, regardless of the cause. Moreover, full revenue decoupling refunds customers for any over-collections, thus completely eliminating the link between sales and revenues.

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[3] *Decoupling for Electric & Gas Utilities: Frequently Asked Questions*, National Association of Regulatory Utility Commissioners (NARUC), Grants & Research Department (Sept. 2007), at p.2.
[4] Id.
[5] Id. at pg. 4.
[6] American Gas Association, Innovative Rates presentation, February 2015.

III. SOUTHWEST GAS' EEP MECHANISM

As noted in the Decision, Southwest Gas had been unable to earn its Commission-authorized rate of return for at least 15 years, primarily because of a continuing trend of declining usage per customer and a dependence on maintaining or increasing throughput to recover its fixed costs. The Commission acknowledged that without recourse, the Company's financial profile could deteriorate, thereby making it more difficult for the Company to finance debt at reasonable rates, and ultimately lead to higher customer rates.[7] Historically, the Company's declining usage was addressed by traditional approaches, such as increased basic service charges and declining block rate structures; however, these approaches were never completely successful in removing the detrimental financial impacts of declining usage.

In its 2010 rate case, Southwest Gas, in cooperation with the other Settlement Parties, developed a decoupling mechanism that was supported by Staff and ultimately approved by the Commission. The resulting EEP mechanism has two components: 1) a weather component, which stabilizes customer bills by providing a "real-time" bill adjustment when actual weather during the winter months of November to April differs from the average weather used to calculate rates; and 2) a revenue per customer decoupling component that benefits both customers and the Company by adjusting revenues on an annual basis to reflect any difference between the Company's authorized (non-gas) revenues and its actual (non-gas) revenues, thereby ensuring that the Company recovers only its Commission-authorized revenue – no more, no less.

The EEP also facilitates a partnership between Southwest Gas and its customers by aligning their interests with respect to lowering monthly utility bills. However, the EEP also offers multiple benefits beyond aligning utility and customer interests – some of which are inherent to full revenue decoupling, and others that were incorporated into the mechanism by the Settlement Parties. These benefits include:

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[7] Id.

Benefits Inherent to Full Revenue Decoupling

- Mechanism with a ceiling and a floor – Company receives its Commission-authorized revenues and provides a refund to customers when it over-collects;

- Enhanced bill stability through less frequent rate cases;

- Enhanced revenue stability, resulting in improved financial health and lower long-term debt costs;

- Administratively and mechanically simple – reduces the frequency of rate cases and does not require lengthy and often contentious hearings to determine lost fixed costs associated with energy efficiency programs.

Benefits Incorporated by the Settling Parties

- Enhanced bill stability through "real-time" bill adjustments during extreme weather events through the EEP Weather Adjustment;

- Cap on amounts collected through the surcharge, with no limit on the amounts refunded to customers in the event of an over-collection;

- 5 year stay-out provision which prevents the Company from bringing another rate case until at least April of 2016 as long as the EEP is in place;

- Annual earnings test that prevents the Company from collecting a surcharge if it will result in the Company over-earning;

- Accountability through quarterly and annual reporting requirements;

- Required customer outreach and education;

- A 25 basis point reduction in Return on Equity (ROE).[8]

IV. 2014 EEP RESULTS

As mentioned previously, the EEP mechanism has two components: 1) an annual component; and 2) a monthly weather component.

Annual Component

The annual component of the EEP adjusts rates on an annual basis such that the Company recovers *only* its authorized revenue per customer. If the Company over-collects in a

[8] There were 3 instances where utilities received 25 basis point ROE reductions in conjunction with the approval of a decoupling mechanism; however, Southwest Gas' was the only case where the ROE reduction resulted from a settlement. *See, A Decade of Decoupling for US Energy Utilities: Rate Designs, Impacts, and Observations,* Pamela Morgan (revised February, 2013), at pp. 14-15.

given year, customers receive a refund. Southwest Gas' Arizona customers will experience this benefit - which is unique to full revenue decoupling – as a result of the EEP's performance in 2014. As indicated in the accompanying application, in the period from January 1, 2014 through December 31, 2014, Southwest Gas collected more than its authorized revenues, resulting in accurals during 2014 of $11,999,805. These accruals combined with an EEP Balancing Account credit balance at December 31, 2013 results in the Company requesting to increase the existing credit rate of $(0.02626) to $(0.05058) per therm.

The historical volumes used in the 2010 rate case occured during the downturn in the economy. It is reasonable to conclude that subsequent improvements in Arizona's economy, such as a decrease in the unemployment rate from 10.5% to 6.2%[9], has led to an increase in customer volumes when compared to 2010, along with other factors. However, regardless of the variations in the average volumes per customer, the Company is only recovering the Commission authorized margin per customer as evidenced in the accurals during 2014 of approxiatmely $12 million.

Monthly Weather Adjustment

The EEP's monthly weather component provides immediate customer relief from high energy bills when weather is colder than normal and an additional layer of revenue stability, by adjusting customer bills during the winter months of November through April when weather conditions are either colder or warmer than normal.[10] The calendar year of 2014 was the warmest year ever recorded in Arizona. In past winter seasons, customer's received credits on their bills when actual weather was colder than normal.[11] A review of customer bill impacts in

[9] Bureau of Labor Statistics, State and Area Employment Data for Arizona
[10] Pursuant to Sections 3.21 and 3.22 of the Settlement Agreement, the Company reports on the EEP's weather component in quarterly reports to the Commission.
[11] However, the most recent January-March has been the warmest weather on record which has resulted in upward adjustments to customer bills.

Arizona during 2014 illustrates the impact that the weather component had on bills duirng this period.

As indicated in the graph attached as **Appendix B**, the warmer-than-normal weather throughout the year generally resulted in upward adjustments to the average residential customer's bill. However, these weather adjusted bills were still less, in most months, than the predicted bill (the predicted, or authorized bill, represents the estimated bill for this time period that was set in the last general rate case). The weather component worked to avoid the "peaks and valleys" effect that abnormal weather typically has on customer bills, and instead stabilized bills with moderate adjustments.

Cost of Capital

Full revenue decoupling provides for greater revenue and cash flow stability for a utility. This enhances the utility's credit quality by providing greater assurance for fixed cost recovery. In addition, the approval of a decoupling mechanism demonstrates constructive regulatory support, which is also a positive factor for a utility's credit ratings. As a result, decoupling is viewed by rating agencies as credit positive and therefore assists a utility to obtain and maintain higher credit ratings, which benefits its customers through lower debt costs.

Credit ratings play an important role in capital markets by providing an effective and objective tool for market participants to evaluate and assess credit risk. As a result, Southwest Gas' credit ratings are a key factor in determining the required yield on the Company's debt securities and bank facilities, and the amount and terms of available unsecured trade credit. Indeed, decoupled rates, in conjunction with: (1) improved operating results; and (2) an improved capital structure, have resulted in upgrades to Southwest Gas' credit ratings. The table below displays the Company's current unsecured credit ratings compared to the ratings at June 30, 2010 (the end of the test period in the 2010 general rate case).

Rating Agency	Last Change	Current	June 30, 2010
S&P	October 2014	BBB+	BBB
Moody's	January 2014	A3	Baa2
Fitch	May 2013	A	BBB

A utility's regulatory environment is another key factor in its credit ratings. In order to gauge the level of regulatory risk for a utility and assess regulatory jurisdictions on a relative basis, S&P evaluates the relative credit supportiveness of regulatory jurisdictions based on quantitative and qualitative ratemaking factors that focus on four main categories: (1) the stability of the basic regulatory paradigm employed in the jurisdiction; (2) tariff-setting procedures; (3) financial stability; and (4) the political independence of the regulator.[12] S&P then classifies each jurisdiction into one of five categories: (1) Strong; (2) Strong/Adequate; (3) Adequate; (4) Adequate/Weak; and (5) Weak. In its January 2014 update of regulatory assessments, a copy of which is attached as **Appendix C**, S&P listed Arizona's regulatory jurisdiction as Strong/Adequate.

Moody's, in a recent publication, a copy of which is attached as **Appendix D**, also cited the improved regulatory environment in Arizona, stating:

> We believe the long term credit support provided by the Arizona regulatory environment has improved significantly over the last 10 years and this has had a positive impact on the financial performance of its regulated utilities.[13]

Energy Efficiency

The revenue stability provided by the EEP has provided Southwest Gas with the liberty to embrace conservation and energy efficiency without unduly harming its ability to recover its cost of providing service. The most recent Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan (EE/RET Plan) approved by the Commission

[12] Standard & Poor's RatingsDirect, *Utility Regulatory Assessments For U.S. Investor-Owned Utilities,* January 7, 2014.

[13] Moody's Investors Service, *Sector Comment: Arizona's Constructive Regulatory Environment Supports the Credit Quality of Its Investor-Owned Utilities,* February 23, 2015, p.4.

authorized an annual budget of $4.7 million,[14] with an average cost to customers of approximately $0.25 per month. Southwest Gas has prudently managed the approved budget, and is aggressively promoting energy efficiency programs that are both cost-effective and responsive to market demands. As a result, in Year 2 of its EE/RET Plan,[15] the Company expended approximately $4.66 million of its approved $4.7 million budget and achieved 5,230,962 annual therm savings – helping save customers approximately $2,433,600.

V. COMMUNICATION ENHANCEMENTS

During this reporting period, the Company also made several enhancements to its communication efforts to ensure greater customer communication and transparency with respect to the EEP. Some of these items include the following:

- The EEP Annual Adjustment and the EEP Weather Adjustment were added as line items on customer bills. Previously these adjustments were embedded in the usage charge.
- The Company also updated the back of the bill to provide additional information on the EEP Annual and EEP Weather Adjustments.
- The Company updated its tariff sheets to clarify its use of the linear regression analysis, metered use cap, and zero use floor as secondary mechanics or checks in calculating the EEP Weather Adjustment. The tariff now provides greater detail on the mechanics of how the EEP is calculated.
- The Company also updated its website to include additional information on the EEP, including a description of decoupling, details on the EEP Weather Adjustment, information on heating degree days, and a frequently asked

[14] In Decision Nos. 73231 and 73229, the Commission approved an annual DSM budget of $4.7 million for Plan Year 1 with projected annual program savings of 1.4 million therms. The $4.7 million budget was continued for Plan Year 2.
[15] The Year 2 Plan was effective June 1, 2013 through May 31, 2014.

questions section. This information compliments the updated Tariff sheets and walks customers through an example of how to calculate their bill each month.

- The Company also included a video to give customers a better understanding on the components of their natural gas bill.

Southwest Gas is committed to continuing to review its communication efforts and making any necessary adjustments to ensure all customers have access to the information they need to understand the EEP and the benefits it provides to customers and the Company.

VI. ADDITIONAL INFORMATION REQUIRED BY THE SETTLEMENT AGREEMENT

Section 3.23 of the Settlement Agreement requires Southwest Gas to address various factors related to the EEP's revenue decoupling component in its annual report. The remaining items are addressed below.[16]

Customer Complaints Resulting From or Associated With Decoupling

In November 2014, Southwest Gas began itemizing the annual decoupling component and weather adjustment component on customer bills. Beginning in mid-December, Southwest Gas began seeing an uptick in customer calls on the weather adjustment component. For the year, the Company received 18 billing-related complaints on the weather adjustment, where its customer service representatives explained, among other things, how the monthly weather component of the EEP affects customer bills. As previously reported to the Commission in Docket No. G-01551A-13-0327, Southwest Gas has an escalation queue for customers who wish to understand the details of the decoupling calculations. The Company considered each one of these complaints to be a very high priority, and when further explanation was necessary, the Company utilized its defined escalation process, whereby a senior member of its Rates and Regulatory Analysis Department contacted the customer personally to ensure their concerns

[16] The Company discusses other items listed in Section 3.23 of the Settlement Agreement, such as the removal of disincentives to energy efficiency and compliance with the EE Rules, in Section IV of this Report.

were fully addressed. In that same time frame, Southwest Gas did not receive any complaints regarding the annual decoupling component of the EEP.

Usage/Usage Per Customer Differences Between New and Existing Customers

The information attached as **Appendix E** displays the usage per customer (UPC) for residential customers initiating service during 2012 and 2013 (the most recent years for which a full twelve-months of data is available), and those initiating service between 2001-2010; 1991-2000; 1981-1990; 1971-1980; and prior to 1971. **Appendix E** also includes a comparison of the recorded and weather-adjusted monthly UPC for customers initiating service in 2012 and 2013, and those initiating service prior to 2012. This data indicates that, in general, new customer UPC is less than it has been historically.

Overall Customer Usage, UPC, and Customer Growth per Class on a Pre- and Post-Decoupling Basis

Southwest Gas analyzed the changes in recorded number of customers and recorded volumes on a pre- and post-decoupling basis for those rate schedules included in the EEP. The two time periods analyzed were 2009-2011 for pre-decoupling and 2012-2014 for post-decoupling. The total recorded average changes in overall customer usage, customer volume and UPC are summarized in the table below.

		Residential	Non-Residential
Volume			
	Pre-Decoupling	282,066,888	184,152,790
	Post-Decoupling	274,868,901	180,872,593
	Change	(7,197,986)	(3,280,197)
Customers			
	Pre-Decoupling	945,342	39,844
	Post-Decoupling	974,870	39,450
	Change	29,528	(394)
UPC			
	Pre-Decoupling	298.4	4,621.9
	Post-Decoupling	282.0	4,584.9
	Change	(16.4)	(37.0)

In addition, actual and weather normalized UPC for Southwest Gas' single-family residential customers for the twelve-year period from 2002 through 2014 is attached as **Appendix F**. This data shows a trend of increasing weather normalized UPC over the period for residential customers, the Company's largest customer class.

Customer Migration

No Southwest Gas customers have migrated (i.e. elected to move) from a decoupled rate schedule to a non-decoupled schedule. The Company's non-decoupled rate schedules, with only one exception (Schedule No. G-25 – Transportation Eligible), either require the customer to install and operate a specific natural gas appliance, or are closed to service to new customers. Southwest Gas is not aware of any customers that converted to non-gas energy service.

Support for New Customer Growth Including the Encouragement of New and Economic Uses of Natural Gas

Southwest Gas continues to support new economic uses of natural gas and opportunities for new customer growth. For example, the Company continues to evaluate proposals for multi-family residential DSM programs, as it believes greater utilization of natural gas in the multi-family market will result in greater overall energy efficiency for all Arizona customers. The Company has also been aggressively promoting the use of liquefied natural gas (LNG) and compressed natural gas (CNG) as a cleaner burning, domestically abundant and less expensive alternative transportation fuel for use by private individuals, commercial light duty fleets, heavy duty fleets, transit bus fleets, school bus fleets and refuse truck fleets.

In 2014, Southwest Gas executed three additional incremental facilities agreements (IFA) with Questar Fueling, EVO CNG and Republic Services to serve three separate compressed natural gas (CNG) fueling stations in Phoenix and Tolleson. Questar Fueling and EVO CNG have built public fueling CNG stations to serve the long-haul and regional distribution fleets of Swift Transportation, Frito-Lay and Knight Transportation, among others. Republic

Services built a private station to serve their 70 refuse truck fleet located in South Phoenix. Questar Fueling and EVO CNG accept all major credit cards for payment to serve the general public. In addition to these successful efforts, Southwest Gas continues to pursue additional opportunities to accelerate the use of natural gas as a cleaner burning, domestically abundant and less expensive alternative transportation fuel.

VII. CONCLUSION

In its analysis of the Company's 2013 EEP Annual Report, the Commission concluded, "the revenue decoupling mechanism has accomplished its objectives, including both enhanced revenue stability for the Company and bill stabilization for consumers, as well as removal of disincentives to energy efficiency"[17], and the Commission unanimously approved the Company's 2014 application. Nothing during this reporting period should cause the Commission to reach a different conclusion.

As demonstrated by the information contained in this Report, customers continue to benefit from the Commission's decision to implement the EEP and full revenue decoupling is functioning as the Commission and the Settlement Parties intended. Customers continue to benefit from enhanced bill stability by reducing the frequency of rate cases, by adjusting customer bills to remove the vagaries of abnormal weather, and by preventing Southwest Gas from increasing profits through increased sales.

The Company therefore respectfully submits that the EEP remains in the public interest, and no good cause exists to suspend, terminate or modify the mechanism and the EEP should be continued in its current form.

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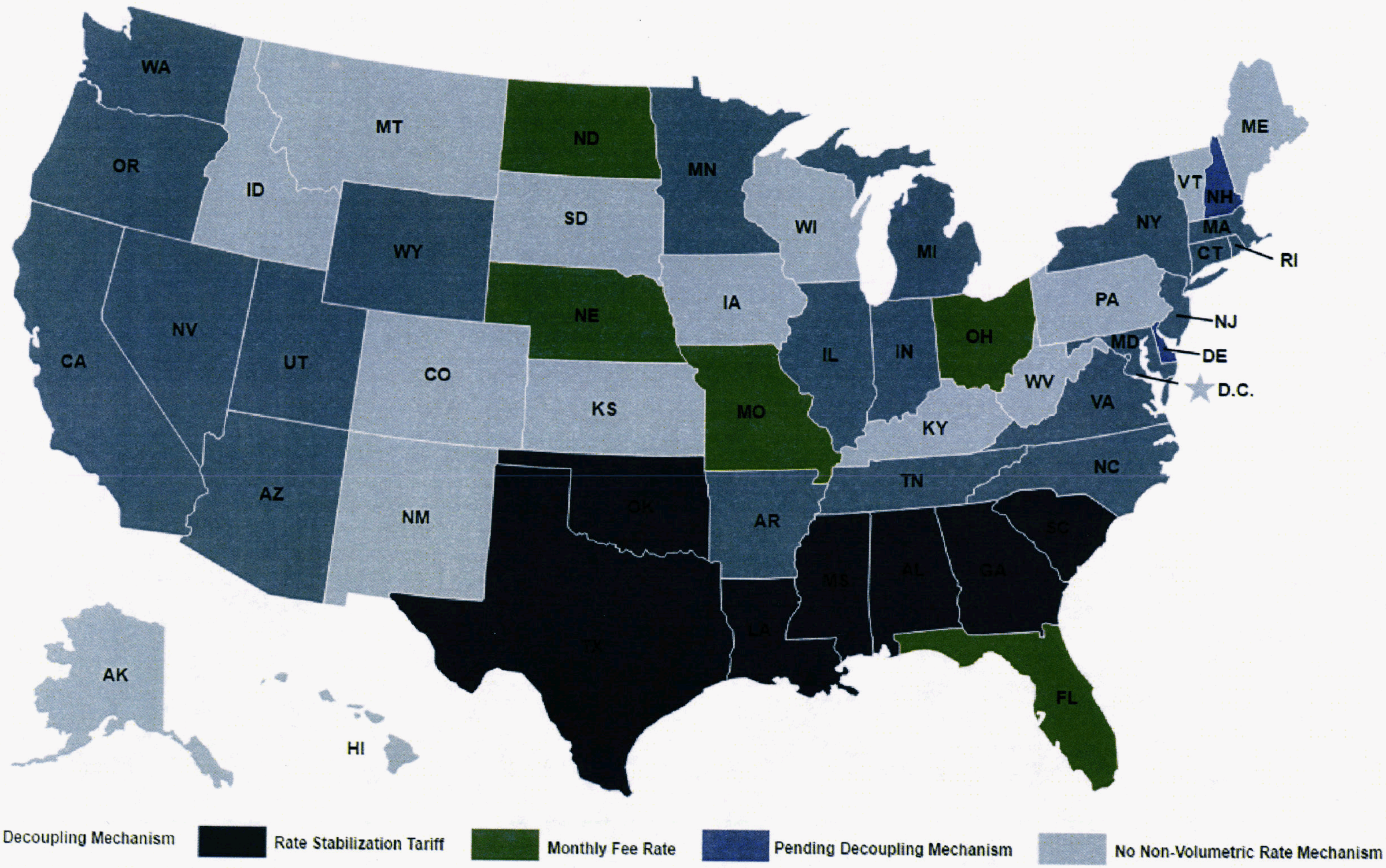
[17] Decision No. 74862 at pp. 7-9.

APPENDIX A

Innovative Rates, Non-Volumetric Rates, and Tracking Mechanisms: Current List

AGA
American Gas Association

States with Non-Volumetric Rate Designs



Utilities with Approved Decoupling Mechanisms

1. AR – Arkansas Oklahoma Gas
2. AR – SourceGas
3. AR – CenterPoint Energy
4. AZ – Southwest Gas
5. AZ – UNS Gas
6. CA – Pacific Gas and Electric
7. CA – San Diego Gas and Electric
8. CA – Southern California Gas
9. CA – Southwest Gas
10. CT – Connecticut Natural Gas
11. GA – Liberty Utilities
12. IL – Peoples Gas
13. IL – North Shore Gas
14. IN- Citizens Energy Group
15. IN – Vectren North Indiana Gas
16. IN – Vectren South SIGECO
17. MA – Columbia Gas of Massachusetts
18. MA – Fitchburg Gas and Electric
19. MA – National Grid Massachusetts
20. MA – Liberty Utilities
21. MD – Baltimore Gas and Electric
22. MD – Columbia Gas of Maryland
23. MD – Washington Gas
24. MI—Consumers Energy
25. MI – Michigan Consolidated Gas
26. MI – Michigan Gas Utilities
27. MN – CenterPoint Energy
28. MN – Minnesota Energy Resources
29. NC – Piedmont Natural Gas
30. NC – Public Service Company of North Carolina
31. NJ – New Jersey Natural Gas
32. NJ – South Jersey Gas
33. NV – Southwest Gas
34. NY – Corning Natural Gas
35. NY – National Grid NYC
36. NY – National Grid Long Island
37. NY – National Grid Niagara Mohawk
38. NY – National Fuel Distribution
39. NY – New York State Electric and Gas
40. NY – Orange and Rockland
41. NY – Rochester Gas and Electric
42. NY – Central Hudson Gas and Electric
43. OR – Cascade Natural Gas
44. OR – Northwest Natural Gas
45. RI – National Grid Narragansett
46. TN – Chattanooga Gas
47. UT – Questar Gas
48. VA – Columbia Gas of Virginia
49. VA – Virginia Natural Gas
50. VA – Washington Gas
51. WA – Avista Corp.
52. WA – Puget Sound Energy
53. WY – SourceGas
54. WY – Questar Gas

Pending Mechanisms

1. DE – Delmarva Power and Light
2. IL – Ameren Illinois
3. MA – NSTAR Gas
4. NH – Pending Legislation

Utilities with Flat Monthly Fee Rate Designs (SFV)

Approved SFV

1. GA – Atlanta Gas Light – Individually determined monthly demand charge
2. MO – Missouri Gas Energy – Flat monthly fee
3. ND – Montana-Dakota Utilities
4. ND – Xcel Energy – Flat monthly fee
5. OH – Columbia Gas of Ohio – Flat monthly fee
6. OH – Dominion East Ohio – Flat monthly fee
7. OH – Duke Energy – Flat monthly fee
8. OH – Vectren Ohio – Flat monthly fee

Similar to SFV

1. FL – TECO Peoples Gas – Three-tier monthly charge plus a small variable charge
2. IL - Ameren Illinois – 80% revenue for Residential and Small GS Customers per flat fee plus small variable charge
3. IL – Nicor Gas – Flat fee plus a small variable charge
4. MO – Ameren – Modified rate blocks for Residential Service customers
5. MO – Liberty Utilities – Flat fee plus a small variable charge
6. MO – Laclede Gas – Modified rate blocks
7. NE – Black Hills – Declining rate blocks
8. NE – SourceGas – Modified rate blocks
9. OK – Oklahoma Natural Gas – Two-tier plan – Offers customers a choice
10. TX – Texas Gas Service – Flat fee up to 200 ccf/month

Pending

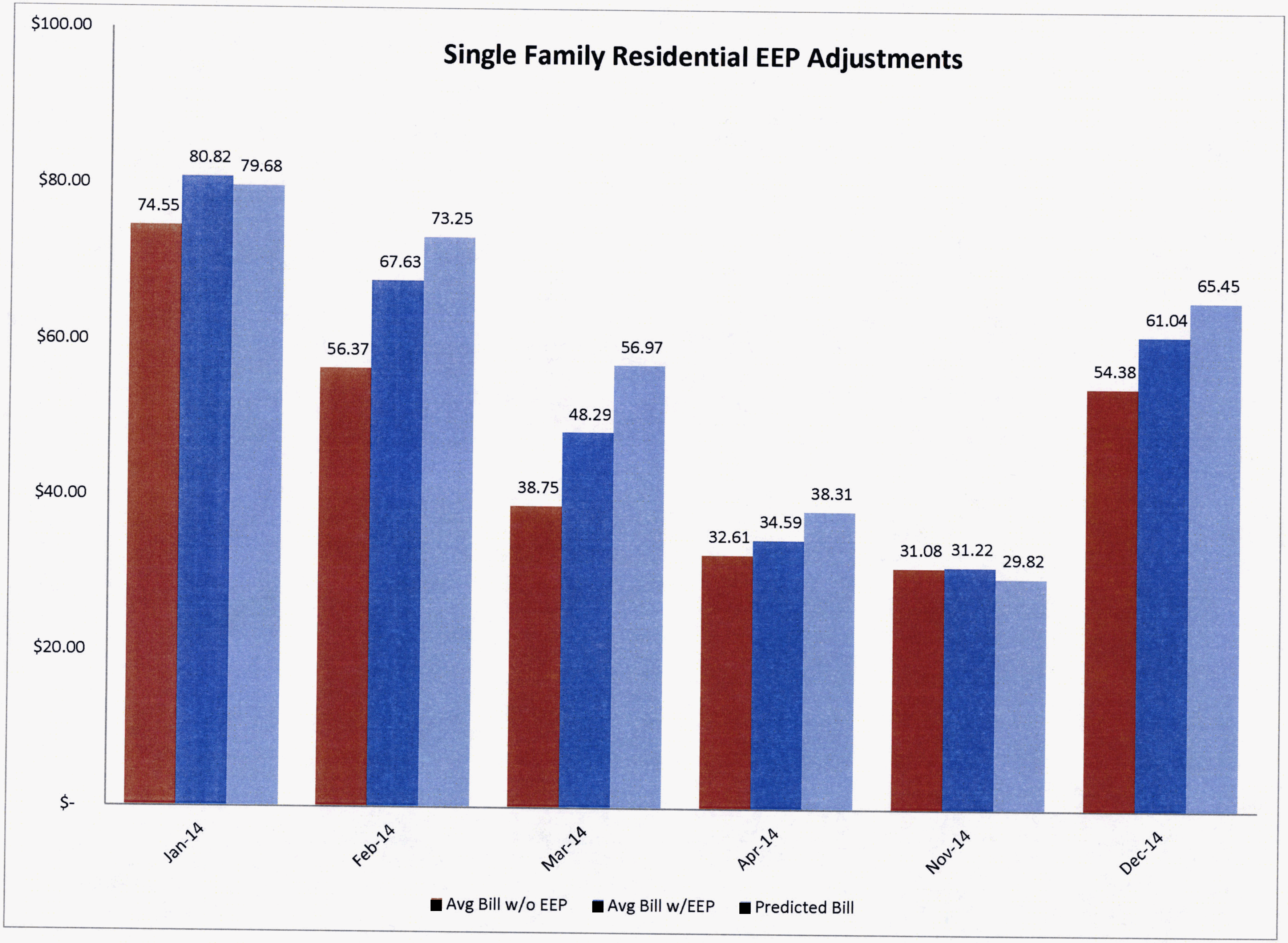
1. DE – Delmarva Power and Light

Current Status of Rate Stabilization Tariffs

Approved

1. AL – Alabama Gas
2. AL – Mobile Gas
3. GA – Liberty Utilities
4. LA – Atmos Energy
5. LA – CenterPoint Energy
6. LA – Entergy
7. MS – Atmos Energy
8. MS – CenterPoint Energy
9. OK – CenterPoint Energy
10. OK – Oklahoma Natural Gas
11. SC – Piedmont Natural Gas
12. SC – South Carolina Electric and Gas
13. TX – Atmos Energy

APPENDIX B



Single Family Residential EEP Adjustments
$100.00
$80.00
$60.00
$40.00
$20.00
$-
74.55
80.82
79.68
56.37
67.63
73.25
38.75
48.29
56.97
32.61
34.59
38.31
31.08
31.22
29.82
54.38
61.04
65.45
Jan-14
Feb-14
Mar-14
Apr-14
Nov-14
Dec-14
Avg Bill w/o EEP
Avg Bill w/EEP
Predicted Bill

APPENDIX C

RatingsDirect®

Utility Regulatory Assessments For U.S. Investor-Owned Utilities

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Table Of Contents

Utility Regulatory Assessments For U.S. Investor-Owned Utilities

In Standard & Poor's Ratings Services' commentary "Assessing U.S. Investor-Owned Utility Regulatory Environments," published on Jan. 7, 2014, on RatingsDirect, we discussed our views on what constitutes a credit-supportive regulatory climate in the U.S.

We use those factors to create assessments of the regulatory environments in jurisdictions that regulate the electric, gas, and water utilities that we rate. We base the assessments on quantitative and qualitative factors, focusing on four main categories: the stability of the basic regulatory paradigm employed in the jurisdiction, tariff-setting procedures, financial stability, and the political independence of the regulator.

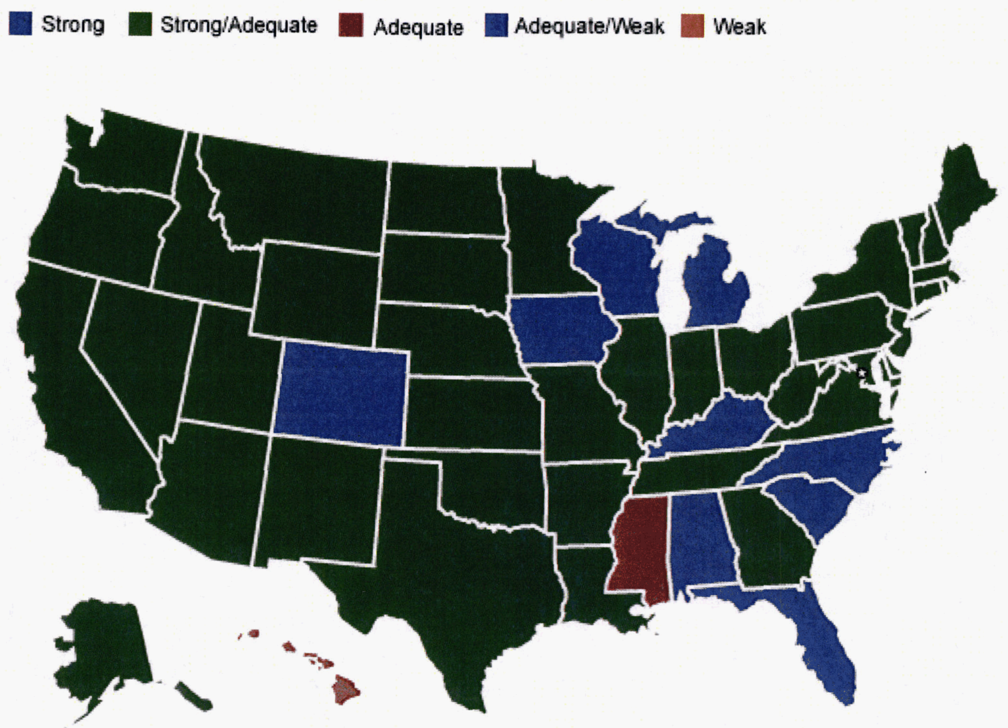
The following table, which lists the jurisdictions in rank order, and map show our updated assessments of regulatory jurisdictions. Since the scale is now global and the categories are different, comparisons to the previous assessments are not valid.

Regulatory Jurisdictions For Investor-Owned Utilities In The U.S.

Strong	Strong/Adequate	Adequate	Adequate/Weak	Weak
U.S. (federal)	California	Hawaii		
Wisconsin	Georgia	Mississippi		
Florida	Louisiana			
Michigan	Minnesota			
Alabama	Oklahoma			
Iowa	Texas (RR Comm.)			
South Carolina	Vermont			
North Carolina	Pennsylvania			
Kentucky	Virginia			
Colorado	Oregon			
	Kansas			
	Tennessee			
	Nevada			
	Maine			
	Utah			
	Wyoming			
	Indiana			
	Arkansas			
	South Dakota			
	Arizona			
	North Dakota			
	Idaho			
	Nebraska			
	New York			
	Illinois			

Regulatory Jurisdictions For Investor-Owned Utilities In The U.S. (cont.)
Ohio
Massachusetts
New Jersey
West Virginia
Rhode Island
Delaware
Alaska
Missouri
Texas (PUC)
Connecticut
District of Columbia
Maryland
Washington
New Mexico
New Hampshire
Montana

Utility Regulatory Assessments—U.S. Investor-Owned Utilities



U.S. (federal) is "Strong" and District of Columbia is "Strong/Adequate."

Related Criteria And Research

Related Criteria

- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

Related Research

- Assessing U.S. Investor-Owned Utility Regulatory Environments, Jan. 7, 2014

APPENDIX D

SECTOR COMMENT
23 FEBRUARY 2015

Rate this Research >>

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US Regulated Electric and Gas Utilities

Arizona's Constructive Regulatory Environment Supports the Credit Quality of Its Investor-Owned Regulated Utilities

The Arizona Corporation Commission (ACC) has made significant progress in improving its credit supportive framework for the state's investor-owned regulated utilities. Actions taken by the ACC have included: 1) shortening the time taken to finalize rate case orders; 2) providing a strong suite of rate recovery mechanisms; and 3) tackling the difficult cost-shift issue associated with distributed generation. These actions are credit positive for the investor-owned regulated utilities:

» Arizona Public Service Company (APS: A3 positive), the principal operating subsidiary of Pinnacle West Capital Corporation (PNW: Baa1 positive);

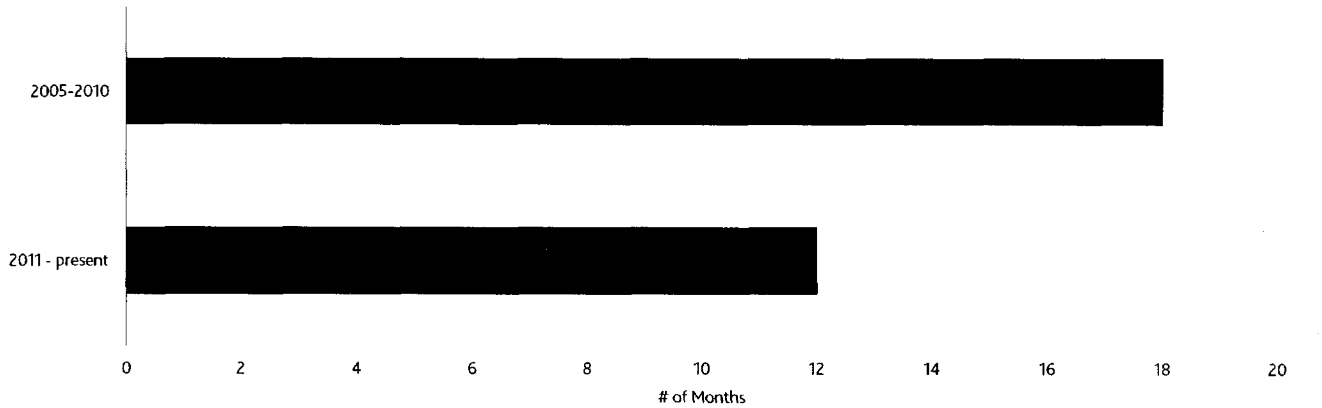
» Tucson Electric Power Corporation (TEP: Baa1 positive), UNS Electric, Inc. (UNSE: Baa1 positive) and UNS Gas, Inc. (UNSG: Baa1 positive), the operating subsidiaries of UNS Energy Corporation (UNS: Baa2 positive);

» Southwest Gas Corporation (A3 stable), the largest local natural gas distribution company in Arizona.

Shorter Time Taken to Finalize Rate Case Orders Reduces Regulatory Lag

The ACC has reduced the time taken to finalize general rate cases, a credit positive because it reduces regulatory lag and improves the timely recovery of the utilities' investments and maintains financial strength. Historically, Arizona's regulated utilities experienced significant regulatory lag with respect to earning allowed returns on investments and recovery of prudently incurred costs. Lengthy regulatory decisions around litigated rate cases were once considered normal in Arizona. Since rate cases utilize historical test periods, new rates were determined on a rate base that was sometimes more than two years old. However, in recent years general rate cases have been finalized in considerable less than time than in years past. Since 2011, five general rate cases filed by the state's five regulated investor-owned utilities have been finalized by the ACC in average time of about 12 months (Exhibit 1). This is significantly less time than the average 18 months needed to issue final orders on the previous eight general rate cases completed from 2005 – 2010. Based on the length of recent rate cases, we believe the ACC is more committed to finalizing cases in about a year or less, which is more consistent with the average of utility regulatory commissions across the US.

Exhibit 1
Recent Rate Cases are Finalized in Significant Less Time



Source: SNL Financial

Settlements Have Sped Up the Process

This improvement has mainly reflected the fact that the majority of rate case orders since 2010 have been the result of settlements. Of the five rate case orders completed over the last five years, four of them were finalized through settlements (Exhibit 2). This is a striking difference compared to the eight rate cases completed during 2005 - 2010, which included six fully litigated cases (Exhibit 3). Rate case settlements are another indication of a constructive regulatory environment. We believe settlements reflect open and productive dialogue between regulators, intervenors, management teams and other interested parties, which is a sign of a constructive regulatory framework spurred on by the regulatory commission.

Exhibit 2
Rate Cases Completed During 2011 - Presen t

Company	Case ID	Electric / LDC	Date Filed	Date of Final Order	Decision Type	ROE %	Equity Ratio %	Test Year End	Lag (months)
Arizona Public Service Co.	D-E-01345A-11-0224	Electric	6/1/2011	5/15/2012	Settled	10.00	53.94	12/2010	11
Southwest Gas Corp.	D-G-01551A-10-0458	LDC	11/12/2010	12/13/2011	Settled	9.50	52.30	06/2010	13
Tucson Electric Power Co.	D-E-01933A-12-0291	Electric	7/2/2012	6/11/2013	Settled	10.00	43.50	12/2011	11
UNS Electric Inc.	D-E-04204A-12-0504	Electric	12/31/2012	12/17/2013	Settled	9.50	52.60	06/2012	11
UNS Gas Inc.	D-G-04204A-11-0158	LDC	4/8/2011	4/24/2012	Fully Litigated	9.75	50.82	12/2010	12

Source: SNL Financial

Exhibit 3
Rate Cases Completed During 2005 - 2010

Company	Case ID	Electric / LDC	Date Filed	Date of Final Order	Decision Type	ROE %	Equity Ratio %	Test Year End	Lag (months)
Arizona Public Service Co.	D-E-01345A-08-0172	Electric	3/24/2008	12/16/2009	Settled	11.00	53.79	12/2007	21
Arizona Public Service Co.	D-E-01345A-05-0816	Electric	11/4/2005	6/28/2007	Fully Litigated	10.75	54.50	09/2005	20
Southwest Gas Corp.	D-G-01551A-07-0504	LDC	8/31/2007	12/24/2008	Fully Litigated	10.00	43.44	04/2007	16
Tucson Electric Power Co.	D-E-01933A-07-0402	Electric	7/2/2007	12/1/2008	Settled	10.25	42.50	12/2006	17
UNS Electric Inc.	D-E-04204A-09-0206	Electric	4/30/2009	9/30/2010	Fully Litigated	9.75	45.76	12/2008	17
UNS Electric Inc.	D-E-04204A-06-0783	Electric	12/14/2006	5/27/2008	Fully Litigated	10.00	48.85	06/2006	17
UNS Gas Inc.	D-G-04204A-08-0571	LDC	11/7/2008	4/1/2010	Fully Litigated	9.50	49.90	06/2008	17
UNS Gas Inc.	D-G-04204A-06-0463	LDC	7/13/2006	11/27/2007	Fully Litigated	10.00	50.00	12/2005	16

Source: SNL Financial

Cost Recovery Mechanisms Further Enhance Credit Quality

The ACC has granted Arizona utilities multiple cost recovery mechanisms to improve the collection of its rate base revenue. APS, TEP, UNSE and UNSG are allowed to implement partial decoupling through a Lost Fixed Cost Recovery (LFCR) rate mechanism to recover lost revenues from energy efficiency and distributed renewable energy. The LFCR mechanism essentially recovers revenues associated with fixed costs related to distribution but not generation. On the other hand, Southwest Gas was awarded a full decoupling mechanism that caps recovery surcharges at 5% of annual revenues. We view decoupling mechanisms as credit supportive since they can reduce the uncertainty and volatility in cash flow. While the LFCR is credit positive, its impact is limited to recovery of lost revenues that result from energy efficiency investments as compared to full decoupling which provides for the recovery of weather-related losses as well.

All of the utilities are able to recover fuel and purchased power costs through a power supply adjuster offered to APS or a purchased power and fuel adjustment clause utilized by TEP and UNSE. These mechanisms incorporate forward and true-up components and are intended to allow the utilities to recover fuel, purchased power and gas costs in a timely manner. Arizona's LDCs are allowed a Purchased Gas Adjustor (PGA) mechanism to recover actual commodity costs, including transportation costs.

APS, TEP and UNSE are allowed to include a surcharge to recover their renewable investments and above-market cost of power purchase agreements through the Renewable Energy Standard and Tariff. In addition, the electric utilities are authorized to apply a surcharge to recover their investments in Demand Side Management to meet efficiency standards. APS and UNSE are also allowed to adjust rates for FERC-approved transmission investments through a transmission cost adjustor mechanism. APS and TEP can implement surcharges to recover government-mandated environmental expenditures. We view the variety of rate riders and trackers offered by the ACC as reducing the utilities' recovery lag.

Implementation of Initial Rooftop Solar Surcharge is the First Step in Addressing Cost-Shift Concern

The ACC's policy on net metering is an initial step in addressing the cost shift concern and is credit positive for the Arizona utilities. On November 14, 2013, the ACC voted (3-2) to impose a charge of 70 cents per kilowatt system per month on future APS residential rooftop solar customers that filed applications to install panels after December 31, 2013. We estimate the newly imposed fee would equate to about $4.90 per month on the typical 7-kilowatt system that homeowners in Arizona install. The ACC decided to grandfather in existing APS rooftop solar customers at the time, who consequently will not face the new fee for 20 years. Although the approved amount was materially lower than APS' request, the ruling supports our view that regulators will be proactive in monitoring the cost-shift issue with regard to distributed generation.

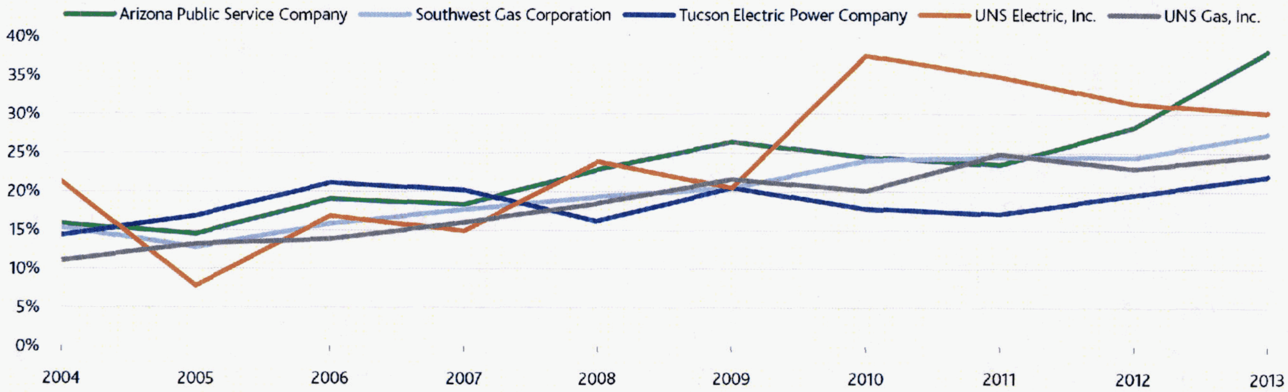
For now, the surcharge has no material financial impact on APS because the fixed charge imposed on future rooftop solar customers does not increase the utilities' revenues, but instead modestly reduces the impact of the revenue cost-shift on non-solar customers. We expect the ACC will continue its discussions this year regarding the rate design process to account for the continued growth in distributed generation.

Utilities' Financial Performance has Strengthened Along With a More Constructive Regulatory Framework

We believe the long term credit support provided by the Arizona regulatory environment has improved significantly over the last 10 years and this has had a positive impact on the financial performance of its regulated utilities. Exhibit 4 shows the steady improvement in the ratio of cash flow pre-working capital (CFO pre-W/C) to debt for all five investor-owned regulated utilities in the state. We note that the utilities' performances have benefitted from tax incentives related to accelerated bonus depreciation, accounting for about 200 basis points of the improvement, on average. However, we believe a significant driver of the utilities' overall improvement in CFO pre-W/C to debt to be a more constructive regulatory environment with a reduced regulatory lag.

Exhibit 4

CFO pre-W/C to Debt has Steadily Improved



Source: Moody's Investors Service

The ACC Remains an Elected Commission

The existence of an elected commission had historically added to the regulatory volatility experienced within Arizona. While the ACC has proved to be more constructive in recent years, this could change with the popular vote of newly elected officials. However, the importance of utilities to state and local governments is not lost on elected officials, and utilities maintain very effective constituency outreach programs. We think political risks are also manageable, in part, because elected officials are increasingly viewing their local utilities as a reliable source of investment into the local infrastructure as well as employment growth in the local economy.

Moody's Related Research

Credit Opinions:

Pinnacle West Capital Corporation

Arizona Public Service Company

UNS Energy Corporation

Tucson Electric Power Company

UNS Electric

UNS Gas

Southwest Gas Corporation

Credit Focus:

Arizona Public Service: Getting a Jump on Rooftop Solar Distributed Generation, May 2014 (169745)

Industry Outlook:

Regulatory Support Drives Our Stable Outlook, December 2014 (1000683)

Rating Methodology:

Regulated Electric and Gas Utilities, December 2013 (157160)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

MOODY'S
INVESTORS SERVICE

APPENDIX E

SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
2014 RESIDENTIAL USE PER CUSTOMER (in therms)
BY INSTALL YEARS

	2011-2014	2001-2010	1991-2000	1981-1990	1971-1980	up to 1970
Jan	50.6	60.7	64.5	52.5	67.8	71.4
Feb	34.8	41.4	44.2	36.8	46.0	47.6
Mar	22.3	26.2	26.3	23.2	24.7	25.3
Apr	18.7	21.3	19.7	16.2	17.1	17.6
May	14.9	16.8	15.2	12.8	12.1	12.5
Jun	10.7	12.6	11.7	10.6	10.4	10.4
Jul	8.4	10.0	9.4	8.8	8.9	9.1
Aug	7.8	9.2	8.7	7.8	8.5	8.6
Sep	8.6	10.0	9.5	8.5	9.2	9.4
Oct	10.1	11.6	10.6	9.1	9.5	9.8
Nov	15.1	17.4	16.3	13.1	13.5	13.5
Dec	28.4	33.8	36.4	29.3	37.4	39.0
Total	230.4	271.0	272.5	228.7	265.1	274.2

SOUTHWEST GAS CORPORATION
TOTAL ARIZONA: DISTRICTS 32 - 49
RESIDENTIAL GAS SERVICE G-5 SINGLE FAMILY
INSTALL YEAR 2011
JANUARY 2014 - DECEMBER 2014
WEATHER NORMALIZATION ADJUSTMENT

Month	Year	Actual Consumption Per Customer (Therms)	Weather Normalized Consumption Per Customer (Therms)	Normal Heating Degree Days (Cycle Billed)	Actual Heating Degree Days (Cycle Billed)	Billed Customers	Actual Sales Volumes (Therms)	Weather Normalized Sales Volumes (Therms)	Weather Normalization Adjustment (Therms)	HDD Coefficients
July	2014	8.6	8.6	0.0	0.0	5,988	51,204	51,204	0	
August	2014	8.0	8.0	0.0	0.0	5,989	47,617	47,617	0	
September	2014	8.7	8.7	0.0	0.0	5,987	51,927	51,927	0	
October	2014	10.2	10.2	1.5	0.0	5,997	61,096	61,096	0	
November	2014	15.6	15.7	26.0	25.5	6,016	94,105	94,527	422	0.140200
December	2014	28.5	38.5	220.5	145.5	6,035	172,283	232,527	60,244	0.133100
January	2014	51.7	61.0	343.5	279.5	6,052	312,627	369,332	56,705	0.146400
February	2014	36.1	55.1	274.0	146.5	6,069	218,831	334,591	115,760	0.149600
March	2014	24.0	45.2	173.0	35.0	6,069	145,741	274,384	128,643	0.153600
April	2014	20.3	26.6	52.0	16.0	6,056	123,126	161,366	38,240	0.175400
May	2014	15.6	17.1	9.5	2.0	6,014	93,858	102,951	9,093	0.201600
June	2014	11.1	11.1	0.5	0.0	5,998	66,669	66,669	0	
Total		238.4	305.8	1,100.5	650.0	72,270	1,439,084	1,848,191	409,107	

SOUTHWEST GAS CORPORATION
TOTAL ARIZONA: DISTRICTS 32 - 49
RESIDENTIAL GAS SERVICE G-5 SINGLE FAMILY
INSTALL YEAR 2012
JANUARY 2014 - DECEMBER 2014
WEATHER NORMALIZATION ADJUSTMENT

Month	Year	Actual Consumption Per Customer (Therms)	Weather Normalized Consumption Per Customer (Therms)	Normal Heating Degree Days (Cycle Billed)	Actual Heating Degree Days (Cycle Billed)	Billed Customers	Actual Sales Volumes (Therms)	Weather Normalized Sales Volumes (Therms)	Weather Normalization Adjustment (Therms)	HDD Coefficients
July	2014	8.8	8.8	0.0	0.0	8,666	76,663	76,663	0	
August	2014	8.1	8.1	0.0	0.0	8,673	70,344	70,344	0	
September	2014	8.9	8.9	0.0	0.0	8,671	76,967	76,967	0	
October	2014	10.4	10.4	1.5	0.0	8,683	90,304	90,304	0	
November	2014	15.2	15.3	26.0	25.5	8,686	132,310	132,919	609	0.140200
December	2014	28.6	38.6	220.5	145.5	8,706	249,207	336,115	86,908	0.133100
January	2014	53.0	62.4	343.5	279.5	8,672	459,821	541,074	81,253	0.146400
February	2014	36.2	55.2	274.0	146.5	8,678	313,830	479,354	165,524	0.149600
March	2014	23.3	44.5	173.0	35.0	8,692	202,705	386,948	184,243	0.153600
April	2014	19.7	26.1	52.0	16.0	8,689	171,597	226,463	54,866	0.175400
May	2014	15.9	17.4	9.5	2.0	8,677	137,998	151,118	13,120	0.201600
June	2014	11.3	11.3	0.5	0.0	8,670	97,839	97,839	0	
Total		239.4	307.0	1,100.5	650.0	104,163	2,079,585	2,666,108	586,523	

SOUTHWEST GAS CORPORATION
TOTAL ARIZONA: DISTRICTS 32 - 49
RESIDENTIAL GAS SERVICE G-5 SINGLE FAMILY
INSTALL YEAR 2013
JANUARY 2014 - DECEMBER 2014
WEATHER NORMALIZATION ADJUSTMENT

Month	Year	Actual Consumption Per Customer (Therms)	Weather Normalized Consumption Per Customer (Therms)	Normal Heating Degree Days (Cycle Billed)	Actual Heating Degree Days (Cycle Billed)	Billed Customers	Actual Sales Volumes (Therms)	Weather Normalized Sales Volumes (Therms)	Weather Normalization Adjustment (Therms)	HDD Coefficients
July	2014	8.7	8.7	0.0	0.0	9,693	84,285	84,285	0	
August	2014	8.1	8.1	0.0	0.0	9,708	78,945	78,945	0	
September	2014	8.9	8.9	0.0	0.0	9,730	86,762	86,762	0	
October	2014	10.7	10.7	1.5	0.0	9,752	104,244	104,244	0	
November	2014	15.8	15.9	26.0	25.5	9,779	154,561	155,247	686	0.140200
December	2014	29.9	39.9	220.5	145.5	9,799	293,140	390,959	97,819	0.133100
January	2014	47.7	57.0	343.5	279.5	8,988	428,353	512,567	84,214	0.146400
February	2014	33.5	52.6	274.0	146.5	9,371	314,229	492,971	178,742	0.149600
March	2014	21.4	42.6	173.0	35.0	9,551	204,072	406,523	202,451	0.153600
April	2014	18.1	24.4	52.0	16.0	9,604	173,937	234,580	60,643	0.175400
May	2014	14.9	16.4	9.5	2.0	9,630	143,681	158,242	14,561	0.201600
June	2014	11.0	11.0	0.5	0.0	9,661	106,231	106,231	0	
Total		228.7	296.2	1,100.5	650.0	115,266	2,172,440	2,811,556	639,116	

SOUTHWEST GAS CORPORATION
TOTAL ARIZONA: DISTRICTS 32 - 49
RESIDENTIAL GAS SERVICE G-5 SINGLE FAMILY
MINUS INSTALL YEARS 2011 - 2013
JANUARY 2014 - DECEMBER 2014
WEATHER NORMALIZATION ADJUSTMENT

Month	Year	Actual Consumption Per Customer (Therms)	Weather Normalized Consumption Per Customer (Therms)	Normal Heating Degree Days (Cycle Billed)	Actual Heating Degree Days (Cycle Billed)	Billed Customers	Actual Sales Volumes (Therms)	Weather Normalized Sales Volumes (Therms)	Weather Normalization Adjustment (Therms)	HDD Coefficients
July	2014	9.4	9.4	0.0	0.0	872,817	8,193,546	8,193,546	0	
August	2014	8.6	8.6	0.0	0.0	871,448	7,513,052	7,513,052	0	
September	2014	9.4	9.4	0.0	0.0	872,648	8,161,557	8,161,557	0	
October	2014	10.4	10.4	1.5	0.0	875,771	9,068,401	9,068,401	0	
November	2014	15.4	15.4	26.0	25.5	880,560	13,521,053	13,582,780	61,727	0.140200
December	2014	33.7	43.7	220.5	145.5	886,664	29,889,321	38,740,444	8,851,123	0.133100
January	2014	60.5	69.9	343.5	279.5	881,144	53,292,387	61,548,354	8,255,967	0.146400
February	2014	41.6	60.7	274.0	146.5	881,328	36,670,366	53,480,816	16,810,450	0.149600
March	2014	25.2	46.4	173.0	35.0	881,318	22,239,732	40,920,853	18,681,121	0.153600
April	2014	18.9	25.2	52.0	16.0	878,612	16,625,995	22,173,903	5,547,908	0.175400
May	2014	14.6	16.2	9.5	2.0	875,625	12,826,542	14,150,487	1,323,945	0.201600
June	2014	11.5	11.5	0.5	0.0	873,620	10,076,193	10,076,193	0	
Total		259.2	326.8	1,100.5	650.0	10,531,555	228,078,145	287,610,386	59,532,241	

APPENDIX F

SOUTHWEST GAS CORPORATION
ARIZONA
G5 - SINGLE FAMILY RESIDENTIAL CUSTOMERS
ACTUAL AND WEATHER NORMALIZED CONSUMPTION PER CUSTOMER
12-MONTH TOTALS
MONTHLY, JANUARY 2002 - FEBRUARY 2015

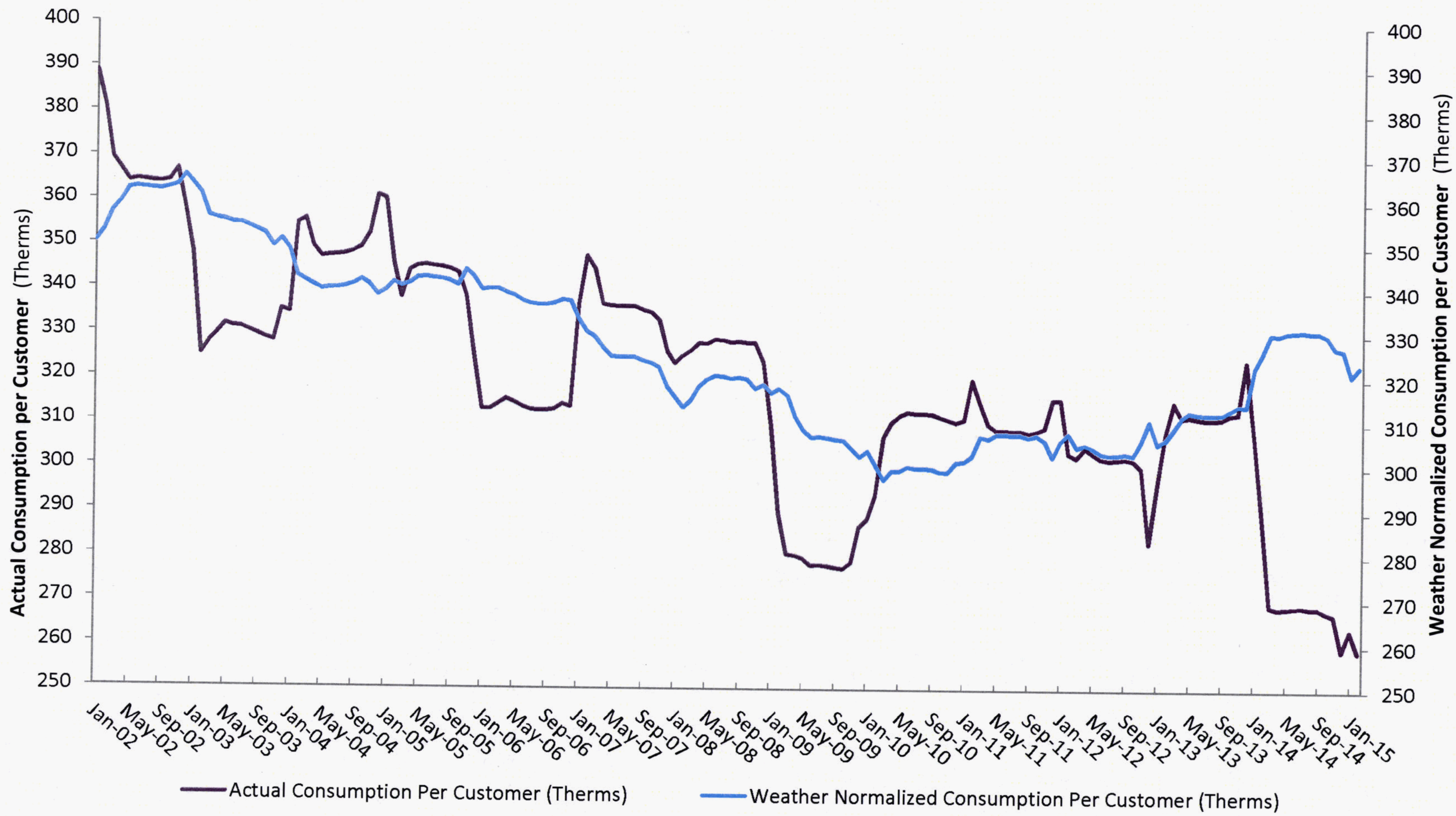


EXHIBIT 2

SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
CALCULATION OF ENERGY EFFICIENCY ENABLING PROVISION (EEP) RATE ADJUSTMENT

Line No.	Description (a)	Volumes (b)	Amount (c)	Line No.
	EEP Balancing Account			
1	Balance at December 31, 2014		$ (22,121,710)	1
	Applicable Therms [1]			
2	G-5 Residential	236,053,407		2
3	G-6 Multi-Family Residential	5,434,832		3
4	G-10 Low-Income Residential	9,668,518		4
5	G-11 Multi-Family Low-Income Residential	631,967		5
6	G-25(S) Small General Service	3,831,887		6
7	G-25(M) Medium General Service	40,536,018		7
8	G-25(L1) Large-1 General Service	100,732,224		8
9	G-25(L2) Large-2 General Service	32,638,347		9
10	All GTS Billed Volume	7,867,379		10
11	Total Therms	437,394,579		11
12	EEP Rate Adjustment Per Therm		$ (0.05058)	12

[1] Sales for the 12 months ended March 2015

EXHIBIT 3

SOUTHWEST GAS CORPORATION
ARIZONA
EARNINGS TEST CALCULATION
TWELVE MONTHS ENDED DECEMBER 31, 2014

Line No.	Description (a)	Reference (b)		Amount (c)	Line No.
1	Fair Value Rate Base	Decision No. 72723	$	1,452,933,391	1
2	Fair Value Rate of Return	Decision No. 72723		6.92%	2
3	Operating Income Required	Ln 1 * Ln 2	$	100,542,991	3
4	Net Operating Income Available	Company Records		92,733,030	4
5	Earnings Deficit/(Excess)	Ln 3 - Ln 4	$	7,809,961	5
6	Gross Revenue Conversion Factor	Decision No. 72723		1.6579	6
7	Revenue Deficit/(Excess)	Ln 5 * Ln 6	$	12,948,134	7